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SUBJECT: JORDANIAN ACTION ON IRAQI ASSETS

REF: A. STATE 186972

1B. STATE 173353

Classified By: Ambassador Edward W. Gnehm. Reasons 1.5 (b) and (d).

11. Summary. According to a senior Jordanian finance ministry official, the GOJ -- using an April 24 law under which the GOJ took ownership of \$463 million in funds frozen in Iraqi bank accounts -- is working hard to reimburse private Jordanians who have submitted claims for unpaid deliveries of goods to Iraq before the new Parliament meets July 15. The ministry had not received Secretary Snow's recent letter, but will examine it closely and reply. End Summary.

12. (c) Econ/C called on Finance Ministry Secretary General Moh'd Abu Hammour July 2 to discuss Jordan's actions and intentions vis a vis official Iraqi assets frozen in Jordanian banks. Abu Hammour, who is the number two official in the Ministry of Finance, said that he had not seen the letter from Secretary Snow to Finance Minister Marto (ref a).

He read the letter carefully and said he would discuss it with Minister Marto. It was Jordan's highest priority, he said, to comply with all UN Security Council resolutions.

13. (c) Abu Hammour said that he had been put in charge of the inter-ministerial technical committee that is implementing the April 24 law (text of law emailed to NEA/ARN) under which the Government of Jordan took ownership of Iraqi assets frozen in Iraqi banks. Other members of the committee come from the Central Bank, Ministry of Industry and Trade, Ministry of National Economy, and Ministry of Planning. Abu Hammour said the total amount of frozen assets was JD 328 million (\$463 million). The funds were for the most part held in commercial bank accounts in the name of Iraqi embassy employees, not official GOI institutions or high-level officials. Nevertheless, it was clear that the accounts had been managed on behalf of the Saddam Hussein government.

14. (c) Approximately, 60-70% of the frozen accounts were in the Jordan National Bank, the Amman branch of the Rafidain Bank, and the Housing Bank. The remainder was spread among smaller banks. Abu Hammour said that the largest Jordanian bank, the Arab Bank (of which he is a board member) did not have any such accounts and had been careful to avoid doing business with Iraq.

15. (c) Under the terms of the April 24 law, approximately 130 private Jordanians have submitted claims to the technical committee for reimbursement out of the frozen funds. These claims amount to 60-70% of the JD 328 million total. These claims were for goods that had been delivered to Iraq under the terms of the bilateral oil for goods protocol, but for which payment had not been authorized by the Iraqi government (acting through the embassy employees) before the accounts were frozen at the start of the war. The committee is moving quickly to validate claims and make reimbursements before the new Parliament comes into session July 15, after which he feared political interference by deputies.

16. (c) Abu Hammour also noted that the April 24 law entitled the Central Bank of Jordan to submit claims against the frozen funds. However, it was Abu Hammour's feeling that the CBJ's JD1.1 billion claim should be dealt with multilaterally along with other official claims under Paris Club procedures. (Indeed, Abu Hammour was personally worried -- please protect -- that paying private claims under the April 24 law would expose the Jordanian government to claims by a future Iraqi government.)

17. (c) Comment. As shown by Jordan's cooperation with the Treasury-led interagency team that came to Amman to track Iraqi assets, Abu Hammour is undoubtedly correct that Jordan does not want to get on the wrong side of the United States or UN resolutions on this subject. It does not seem, however, that the April 24 law has been examined in light of the UNSCR 1483 requirement to turn frozen GOI funds over to the Development Fund for Iraq. The Jordanians might be able to argue that the April 24 law constitutes a "prior judicial judgment" under para 23(b) of the resolution (which the Security Council approved May 22). Post would be pleased to facilitate further communications with the Jordanians on this subject.

GNEHM